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Message from Councilmember Harold Brazil

In these pages, I have set forth my Action Agenda for continued economic development in the District of Columbia. This Action Agenda will be the foundation for my leadership on the D.C. Council, and as Chairman of the Committee on Economic Development, over the next two years.

The Action Agenda comprises a road map to guide us toward strong and sensible economic development that benefits all of our residents and that benefits the business community as a whole. The Action Agenda is organized into five categories, based on five objectives for sound economic development policy for the District.

Two general premises underlie the five objectives. The first premise is that we must do more to make it easier to do business successfully in the District. (It bears noting at the outset that successful businesses provide a vast number of job opportunities for District residents and substantial revenue to finance District services.) The second premise is that we must do more to provide jobs and economic opportunities to District residents and businesses. No neighborhood and no class of residents should be left behind or left out.

On the whole, the District prospered in the late 1990s — recovering from near bankruptcy, making important steps toward reversing a decades-long population drain, and rebuilding respect for the Nation's Capital as a great place to live, work, visit, and do business. Over the past year, several factors beyond our control — the national recession and the impact of 9/11 — slowed the District's economy. This Action Agenda will help us regain and build momentum toward the economic goals we share.

While working to increase and strengthen the District Government's economic development efforts, I will also work to assure that every neighborhood gets a slice of the pie. I do not want to see Washington as a city of "haves" and "have-nots". When it comes to building a great city, we are all equal partners. I want to work for a city united in the common cause of creating economic prosperity and opportunities for all, welcoming and promoting diversity, and generating a lively, interesting, and safe environment for those of us who live and work here and the millions who visit from around the world. It is my hope that the Action Agenda will move us in this direction.

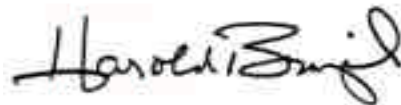
Before moving on to the substance of the report, I think it is important to point out what the Action Agenda is not. The Action Agenda is not just another report with grand goals and long-range plans. (We have a lot of those, and too many of them are stacked on shelves somewhere, long ignored and largely forgotten.)

It is not a plan for the next decade.

It is not a “wish list” of actions we might all like to see, but have no realistic prospects of accomplishing within the near future.

The Action Agenda I decided to create is a **practical agenda** for **needed and achievable actions**. These are actions we can work to accomplish within two years to achieve sound and visible progress in the District’s economic development environment.

As I present this Action Agenda, I want to acknowledge and express my appreciation for the thoughtful contributions provided by my Economic Development Advisory Committee, whose names and affiliations are listed in the appendix to this document. Their thoughts and analysis, expertise in their professional fields, and day-to-day experience with economic development realities in the District were immensely helpful. I thank them all for their generosity in devoting time and resources to this effort.

A handwritten signature in black ink, appearing to read "Harold B. Smith". The signature is fluid and cursive, with the first name "Harold" and last name "Smith" clearly distinguishable.

Objective I:

Foster economic development in our neighborhoods.

If “a rising tide lifts all boats,” as some economists say, there are Washington neighborhoods still waiting for the rising tide of the 1990s to bring prosperity to them as it did to the center city and nearby communities. Center-city commercial and residential expansion in the late 1990s spilled over to Dupont Circle, Logan Circle, Georgetown, the Pennsylvania Quarter, the East End, the West End and to a limited extent, Columbia Heights — but has not reached much beyond that. Neighborhoods that were prosperous before the 1990s still are, only more so. For the most part, neighborhoods that were poor and lacking in essential services before the 1990s still are.

There are some bright spots. Surging development is bringing affordable and high-quality housing to Ward 8 for the first time in a generation. The new Brentwood Shopping Center has enlivened Ward 5 with new jobs and high-quality retail services. There are one or two other promising developments in neighborhoods distant from the city core.

But too many neighborhoods remain left behind and left out. As Brookings Institution Fellows Carol O’Cleireacain and Alice M. Rivlin wrote in June 2001:

“Vigorous development is transforming downtown, and both commercial and residential investment are starting to occur in other parts of the District. Housing demand is up, and real estate prices are rising. So far, however, growth and development are uneven. *Some parts of the city are reviving; others are wondering whether the city’s new prosperity will ever benefit them.*”¹

Analyses of Census 2000 data have produced startling evidence of the District’s sharpening divisions into enclaves of the rich getting richer and the poor getting poorer.² Wealth rushed into some neighborhoods, as high-earning professionals snapped up new luxury rental apartments at \$2,000 a month or more.

But poverty kept its hold on other neighborhoods where low-wage workers feared that rising rents would push them into homelessness. Small business enterprises near major center-

¹ Carol O’Cleireacain and Alice M. Rivlin, Envisioning a Future Washington, Brookings Greater Washington Research Program, The Brookings Institution, June 2001 (emphasis added).

² See “The Numbers Show A City of Extremes: Population Figures for 2000 Detail Shrinkage of Middle Class, Growth of Rich and Poor,” *The Washington Post*, District Weekly, June 6, 2002; Mark Rubin, 2000 Census Numbers Reveal Higher Poverty Numbers in the District by Ward and Neighborhood Cluster, DC Agenda Neighborhood Information Services Research Paper, DC Agenda, October 2002.

city developments — such as the new Convention Center — saw the promise of future growth. But those in outlying areas have yet to see many benefits.

It is a guiding principle of the Action Agenda that fostering neighborhood economic development is essential for healthy citywide growth. Our citizens, business leaders, and government officials share the conviction that a city of only the rich and the poor is not a healthy city. A city where economic development enriches some and bypasses many is not what any city ought to be, certainly not America's capital. Thus, Washington's neighborhoods must be the focus of strong development attention in both the short-term and long-term future.

We must have a strong policy to create incentives for neighborhood investments, but with limited resources, we must make sure each dollar spent yields the maximum return. To that end, the District's neighborhood investment policy must encompass two complementary elements:

- Catalyst Projects. Investment in one large project can become the catalyst for spin-off developments of housing and commercial facilities nearby. For example, the planned redevelopment of the Wax Museum site at 5th and K Streets N.W. for residential and commercial use is a promising “jump-start” for contiguous development in a long-dormant neighborhood.
- Concentration of Multiple Investments in Specific Neighborhoods. With limited resources, we cannot develop all neighborhoods simultaneously and successfully. Spreading resources here, there, and everywhere may satisfy political interests, but will not lead to sustained success anywhere. Hard political decisions have to be made to target a critical mass of resources to the neighborhoods where the need is greater and where supply-and-demand factors are sufficiently strong to assure strong progress.

With catalyst projects blended into concentrated multiple investments in specific neighborhoods, successful and sustainable development can be achieved. But this also requires the strategic integration of other components: affordable housing, commercial establishments, effective educational centers, and consistent and efficient provision of city services.

Within this framework, overall neighborhood planning and development must be done in a way that enhances the identity and uniqueness of each neighborhood. Georgetown and Anacostia are historic neighborhoods and each is a treasure for the city. But that does not mean other neighborhoods will, or should, develop like Georgetown or Anacostia. Each neighborhood has its own identity and unique history and value, which must be respected and carried forward in our revitalization efforts.

The District already has laws and regulations in place to provide a rich array of incentives for neighborhood-based commercial and residential development. Nearly half of the District's developable property is located in the District Enterprise Zone (EZ), which entitles District-based businesses to share in more than \$1.2 billion in federal tax credits, deductions, exemptions, and exclusions. The District Government provides several programs to stimulate construction and renovation of affordable housing, both for renters and homebuyers, and provides additional assistance to individuals to enable them to buy homes. Moreover, the District already provides a large array of municipal and social services.

For these reasons, the Action Agenda focuses heavily on concentrating and enhancing resources rather than creating new incentive programs. It will also be incumbent on the Council, and specifically the Committee on Economic Development, to continue to exercise its strong oversight powers to guide and monitor Executive Branch utilization of the existing tools to foster economic development in our neighborhoods.

Action Items:

1. **Enact legislation to designate two D.C. neighborhoods as initial targets for concentrated multiple investments.**

I propose legislation whereby the District will designate two neighborhoods in which we will make concentrated and sustained investments of a wide range of District resources. The legislation will establish the process by which the neighborhoods will be selected (along with criteria to determine which neighborhoods will be targeted at a later stage), the types of resources which will be devoted to the neighborhoods, guidelines for the amount of resources to be devoted, and a timeline for implementation. This approach will reduce the scattershot nature of past efforts and create the critical mass necessary for significant economic development impact in each neighborhood.

As O'Cleireacain and Rivlin pointed out, "Revitalization requires concentrated, visible effort in particular neighborhoods and schools. *Spreading resources too thinly, without the critical mass to make a visible difference in any one place is a recipe for failure.*"³ By targeting specific neighborhoods and pouring into them a critical mass of the resources of the District Government, we can generate solid and visible success. When development has reached a satisfactory level in the first two targeted neighborhoods, additional neighborhoods would be selected for the same concentrated attention, and so on.

The City of Cleveland has successfully employed a similar approach.⁴ There are also District precedents for identifying targeted development areas by legislative action. The City Council in 1988 named four specific target areas to receive certain incentives when it enacted the Economic Development Zone Incentives Amendment Act.⁵

The type of incentives and resources that will be required will vary according to the unique assets and obstacles within each targeted neighborhood. In addition to housing and commercial development incentive programs, the targeted approach also will use the tool of government-owned property. In some situations, an unneeded government-owned property may provide the essential piece to assemble a workable land mass for a development project. In other

³ Id. (emphasis added).

⁴ See Jeffrey S. Lowe, Building Community Development Capacity in Cleveland: A Report to the Ford Foundation, Center for Urban Policy Research, Rutgers-The State University of New Jersey, December 1998.

⁵ D.C. Law 7-177; D.C. Official Code § 6-1501.

cases, the District may need to use its eminent domain authority to acquire necessary parcels.⁶ Furthermore, the District may need to dedicate resources for infrastructure and public space improvements, and to expand public safety efforts and other municipal services.

Because a targeted effort will have financial and political consequences, the Mayor and the Council must agree on the selection of the targeted neighborhoods. Citizens must also have full participation, and my legislation will include provisions to assure a full hearing and ample opportunity for public comment.

2. Expand marketing efforts for District neighborhoods by increasing funding for the D.C. Marketing Center.

I propose expanding the resources and activities of the D.C. Marketing Center to attract further investment in our neighborhoods. There are many important neighborhood business success stories that can stimulate interest in long-ignored neighborhoods, but such successes are not well-known in the investment community. Moreover, investors and retailers are often unaware of the under-served nature of these neighborhoods and of their untapped buying power. The District will need to educate the investment community about the profit potential outside downtown in order to stimulate further neighborhood economic development.⁷

The D.C. Marketing Center is in the best position to inform developers and lenders about successful and profitable neighborhood investments because of its focused mission on business attraction and retention, already existing relationships with the investment and retail communities, and its track record in producing well-researched business-friendly documents. The Marketing Center's focused efforts on neighborhoods will lower the cost of capital by lowering the "risk premium" that investors seek when they are pioneers in an unproven market, and start building greater retail and commercial momentum in the District's neighborhoods.

Therefore, the D.C. Marketing Center should be provided additional funds dedicated to neighborhood marketing with a minimum number of their staff assigned to the task of bringing more business investment to targeted neighborhoods.

⁶ In a report commissioned by DC Agenda last year, the Urban Institute found: "One of the most commonly-mentioned barriers to retail development is land assembly. . . . Retailers require large plots of land for their stores, and because property is owned by so many individuals, it is often hard to control a sufficient sized plot to entice retailers." Mark Rubin and Kim Davis, Retail Challenges in Washington, DC: An Analysis of Six Retail Categories, The Urban Institute, June 2001, page 11.

⁷ The Marketing Center has already made progress in this area through its work on the Social Compact study on Anacostia and Columbia Heights/Petworth. See District of Columbia Neighborhood Market Drill Down, Social Compact, April 2002.

Objective II.

Preserve and promote affordable housing for low- and moderate-income households.

Whether there is a housing shortage in the District or not depends on one's income. For those who can afford to pay the price, 3,300 high-end rental units are under construction, commanding monthly rents in the range of \$2,000 per month.⁸ Moreover, while the supply of new single-family homes is less plentiful, single-family properties in general are found at increasingly higher prices.

At moderate- and low-income levels, however, there is little doubt about a severe shortage of decent housing, particularly for renters. Vacancy rates are falling and demand increasing in many neighborhoods. The 2002 D.C. Rental Housing Survey, prepared by the Council of Governments and the Washington Area Housing Partnership, showed an overall vacancy rate of 3.4%, and stated that "high rents and low vacancies are likely to continue to squeeze out those of lesser means."⁹ Based on an analysis of Census 2000 data, the Urban Institute reported, "[A]dvertised rents for houses and apartments currently on the market in the District average almost \$1,000 for efficiencies and over \$1,800 for two-bedroom units, substantially higher than rent levels recorded across the city in 1998."¹⁰

An affordability gap also applies to home ownership, where strong market demand, enhanced by falling mortgage rates, has driven prices up substantially in recent years. Industry reports show average sale prices of single-family homes in the city were up almost 10% year-to-year at the end of August 2002 — with the more meaningful median price rising by 20% in just one year.¹¹ In the past four years, the median price of single-family homes in the District has risen by more than 44% — from \$187,000 to more than \$270,000; during the same period, the average price rose from \$255,000 to more than \$385,000.¹² In short, home prices are growing faster than household incomes and have reached prices outside the range not only of low-income families, but also families that were traditionally considered working class and middle-income.

⁸ "High-Priced High-Rises Pop Up Around District," *The Washington Post*, October 7, 2002 (citing statistical data from research conducted by Delta Associates).

⁹ 2002 Rental Housing Survey, Metropolitan Washington Council of Governments, 2002, pages 7, 10. The report was prepared for the Department of Housing and Community Development.

¹⁰ Margery Austin Turner et al., Housing in the Nation's Capital: 2002, The Urban Institute, June 2002, page 2.

¹¹ Id.

¹² Statistics compiled by the Greater Capital Area Association of Realtors. The condo/co-op market has been similarly hot. The median prices rose from \$122,000 in 1998 to \$220,000 in 2002, while the average price rose from \$140,000 to over \$250,000.

I feel strongly that we must address the housing needs of the working and middle class, as well as lower-income households. Policies to preserve and promote affordable housing in the District must balance two basic goals: (1) addressing the housing needs of the neediest residents and (2) supporting the competitiveness of the city as a residential destination of choice for moderate- and higher-income residents. The first is important not only as a matter of social justice but also because distressed neighborhoods diminish the economic vitality and social cohesion of the city. The second is important because the ability of the District to provide municipal and social services ultimately rests on the revenue potential of its tax base. Given always limited revenues, the two objectives are not entirely compatible – thus, the need for a practical balance, especially at a time of budget deficits.¹³ The action items below allow the District to move forward in reaching both objectives in a balanced fashion.

Action Items:

1. Enact legislation to establish a clear and practical standard of ongoing project affordability for housing funded by the Housing Production Trust Fund.

The District's Housing Production Trust Fund (HPTF) Act created a permanent funding mechanism for building and rehabilitating affordable housing for lower income residents. As the Department of Housing and Community Development has begun to administer the HPTF program, which only recently received significant funding, one significant obstacle to its success has appeared.

The obstacle stems from a provision in the HPTF Act which requires the Department to ensure that housing produced with HPTF support be affordable on a "continuing basis." Recently, the Corporation Counsel stated that this provision requires that housing funded through the HPTF must be affordable on a *perpetual* basis.¹⁴ This standard is unrealistic and counter-productive in practical application.

By capping any possible capital appreciation in perpetuity, the standard undermines incentives for lenders and investors to undertake affordable housing development. The standard limits the number of potential developers, the number of potential affordable housing projects, and likely limits the geographic variety of housing offered.

For these reasons, I will introduce legislation to amend the HPTF provision to provide a clear standard that enhances the incentive for investment in affordable housing. The legislation

¹³ There is a sobering message found in the Alexandria Consolidated Plan for Housing (2000-2005) regarding support for its "regional fair share" policy on assisted housing. The plan states: "The need for such [housing] assistance has not been, and likely can never be, met. No matter how much assisted housing is provided, there will likely always be a waiting list. Given the considerable resources devoted decade after decade, the city does not consider this need to be underserved. Providing more housing than our neighboring jurisdictions brings more people here and puts more stress on our human services and schools."

¹⁴ Memorandum from the Office of the Corporation Counsel to the Department of Housing and Community Development, dated September 17, 2002.

will set a standard such as “affordability for a period equivalent to the term of financial assistance provided,” or for a set number of years. My legislation will establish a clear, workable standard, to maximize affordable housing production in the District.

2. Enact legislation to encourage use of a larger proportion of funds to promote home ownership opportunities for working class and moderate-income families.

DHCD is currently required to expend at least 80% of its HPTF funds on very low-income households — 40% to benefit households up to 30% of the area median income (AMI)¹⁵ and another 40% to benefit households earning 31 to 50% of the AMI — leaving only 20% to serve the needs of working class and moderate-income households. There are two key flaws to this allocation. First, it tends to channel resources to the rental sector, doing relatively little to promote home ownership opportunities. Second, it fails to adequately address the District’s need to attract and retain middle-class households.

Home ownership is a particularly important factor in revitalizing and redeveloping neighborhoods because residents become more invested in their community and a more stable neighborhood environment is created. Moreover, homeownership minimizes household displacement and allows lower-income residents to build significant equity, a financial outcome that is generally unavailable through other means. The current allocation of HPTF dollars, however, makes it very difficult to realize these benefits. The following analysis is illustrative. The mortgage-qualifying annual income level for a 95% mortgage on a \$150,000 purchase price is above the HPTF’s allowable limit for a two-person household at 50% of the AMI. As a practical matter of markets and prices, then, homeownership opportunities could be significantly addressed by only 20% of HPTF resources.

The second problem is perhaps more daunting. A number of studies indicate that the District has become divided into income extremes. As a recent Urban Land Institute study states, “The recent demographic pattern has been said to resemble a barbell, with high-income residents on one side, low-income residents on the other, and a big gap in between.”¹⁶ Without government incentives and intervention, this dichotomy is likely to persist: the economics of land availability and construction costs significantly limit the possibility of non-subsidized new home construction being affordable to working class and moderate-income households.

But the advantages of having an income-diverse jurisdiction are significant. Mixed-income communities create increased neighborhood stability and may also lead to improvements in the public school system because of increased resources and increased household commitments to the success of the schools.¹⁷ Further, the presence of middle-income households strengthens and stabilizes the District’s revenue base, and increases the amount of resources available to provide needed services. Moreover, the availability of affordable housing within a

¹⁵ Area median income (AMI) is currently \$91,500 for a family of four. See Data Sets, U.S. Department of Housing and Urban Development Office of Policy Development and Research, March 2002.

¹⁶ Recommendations for Developing Infill Workforce Housing in Washington, D.C., Urban Land Institute, 2001, page 10.

¹⁷ See Mixed-Income Housing Strategies, Atlanta Regional Commission, page 3.

reasonable distance is a key factor in business location decisions;¹⁸ the availability of a range of housing choices may therefore lead more businesses to locate in the District, bringing more job opportunities for District residents and more revenue for District services.

In addition, the District must be realistic in determining its ability to provide needed services to lower-income residents. The cost of providing those services must be balanced with the need to bring in revenue-producing households to pay for those services. The more disproportionate a share of the region's poverty the District carries, the more difficult it will be to provide adequate services to any segment of its population. A sustainable mix of lower-income, middle-income, and higher-income households is a key to the District's long-term financial and social stability.

For these reasons I will introduce legislation to establish a more balanced allocation of the HPTF resources to better support homeownership and community stability and vitality in the District. The legislation will allow a larger proportion of HPTF dollars to be allocated to creating housing opportunities for working class and moderate-income households.

3. Implement employer-assisted housing purchase programs with private businesses and organizations.

Encouraging employees of District businesses and organizations to purchase housing in the District has wide benefits — providing gains to the District, the employer, and the employee. The District adds new residents, with the concomitant real estate, income, and sales tax revenue; the employer realizes a more stable workforce and is better able to attract workers; and the employee improves his or her financial position through home ownership, receives an additional employment benefit, and likely improves his or her quality of life.

The Housing Act of 2002 includes provisions to encourage private employers in the District to provide benefits to their employees to purchase housing in the District.¹⁹ The Act provides matching funds, in the form of tax credits, to District employers who provide home-purchase assistance to employees earning up to 120% of the area median income (AMI). For a family of four, the 120% income ceiling would be \$109,800 at the current AMI level. The tax credit is for one-half of the amount of the assistance provided, up to a maximum of \$2,500 per worker.

Unfortunately, the program has not yet been funded, nor has it received much attention. On top of that, there has been little employer input on the benefits and burdens of the program and how it might best serve the interests of the District, employers, and employees.

I will use the resources of the Economic Development Committee to refine this program and make funding available at a reasonable level. First, I will hold a public hearing on the program, as enacted, to determine whether improvements may be necessary. In addition, I will

¹⁸ Carol A. Bell, "Workforce Housing: The New Economic Imperative?", Housing Facts & Findings, Volume 4, Issue 2, Fannie Mae Foundation, 2002.

¹⁹ For several years, the District has operated a government employer-assisted housing program providing down-payment and closing cost assistance to District employees.

work with the Mayor to ensure at least partial funding in Fiscal Year 2004. (Given the District's current financial constraints, it may not be realistic to achieve full funding next year.) I will also work with the Mayor and large employers — such as universities, hospitals, hotels, and accounting and law firms — to obtain commitments to implement employer-assisted home purchase programs in the District.

Objective III.

Reduce barriers to doing business in the District.

The benefits of business location in the District are tremendous. Businesses in the District provide needed retail and health services, employment for tens of thousands of District residents, increase neighborhood stability, promote neighborhood revitalization, and provide directly and indirectly well over \$1 billion in local revenue.

For a long time, the District reaped few of these benefits. Businesses shied away from the District because of high taxes, burdensome regulations, a difficult administrative apparatus, and poorly provided municipal services. It was not a coincidence that the District neared bankruptcy.

There is no doubt the District's business climate has recently improved, but there is much more that can be done. In fact, several consistent themes appear in various surveys of business satisfaction and the business climate in the District. Bureaucracies are still too big and too complex for businesses to navigate. Many regulations are not only too costly and unpredictable for businesses, but too expensive and burdensome for District agencies to administer professionally and evenhandedly. As the lead agency for business regulation, the Department of Consumer and Regulatory Affairs (DCRA) bears the brunt of this criticism. DCRA's current performance, though improved, is spotty; some units deliver prompt, efficient, and courteous service with regularity, while others consistently perform inadequately.

Not surprisingly, then, many of the District barriers to investment are administrative in nature and can best be remedied through administrative action. Nevertheless, when administrators fail to deliver prompt and effective remedies, the Council must step in with legislative remedies and the powers of its agency oversight role.

DCRA comes under the legislative jurisdiction of the Council's Committee on Consumer and Regulatory Affairs (CRA), chaired by Councilmember Sharon Ambrose. Councilmember Ambrose's support is therefore very important to the success of several of the action items below. In cooperation with Councilmember Ambrose, and as chair of the Committee on Economic Development and a member of the CRA Committee, I am sure we can move these items forward.

I am committed to working to make the District the most business-friendly jurisdiction in the region, with a policy agenda including restrained and predictable regulation, lower taxes, and high-quality provision of municipal services.²⁰ As other jurisdictions have shown, following this type of agenda reaps significant rewards in terms of a broadened tax base, more funds for the provision of municipal and social services, employment for residents, new investment, and economic growth.

Action Items:

1. Prepare a legislative package to accomplish streamlining reforms of the permitting processes required for building construction and renovation.

I will work during the first six months of 2003 to identify the streamlining reforms that are in the pipeline at DCRA related to building construction and renovation and the status and timetable for putting any such reforms in place. After this review, and based on its results, I will introduce legislation that will:

- Mandate simultaneous, rather than sequential, DCRA unit reviews of building and site plans and eliminate redundant reviews of phased construction projects.
- Extend the time period for completion of certain work allowed under public space permits. Typically the time period is 30 days, a time frame which forces repeated, unnecessary renewals for large-scale projects.
- Formally establish DCRA's Ambassador program (now operating by administrative action rather than authorizing legislation) and define its mission and authority.
- Modify the annual street-cut moratorium.
- Require implementation of a process to allow outside tracking of permit reviews.

2. Consolidate and coordinate licensing and permitting processes across District agencies.

Currently, the licensing and permitting functions of the District are housed in several agencies, including DCRA, the Department of Health (DOH), and the Department of Public Works (DPW). This dispersion of functions has created multiple procedures which businesses must learn and follow, an excessive number of contact points, and a lack of coordination among agencies.

The Master Business License (MBL) program has been a first, halting step to coordinating the licensing program — but this program covers only DCRA. In conjunction with

²⁰ I am also committed to ensuring that District regulations properly protect the public health, safety, welfare, and the quality of life of District residents.

refining and implementing the MBL program, we should work to coordinate and consolidate licensing and permitting functions across agency lines. Doing this will provide businesses with a simpler, faster, and less costly process. And by minimizing the points of contact, the licensing and permitting process should become more accountable.

One way to consolidate and coordinate the license and permit process is to move DPW permit functions into DCRA. This would reduce the number of agencies a business would need to visit, reduce the number of procedures a business would need to be familiar with, save time and money for the business, and provide a single contact point for these agencies' license and permit functions.

Another improvement would be to move DOH license functions into DCRA, or to make DCRA the administrative body for the issuance of DOH licenses. (Under the latter option, DOH's personnel would carry out certain inspection functions.) This change would have benefits similar to, and perhaps greater than, those of the DCRA-DPW consolidation.

To bring about these benefits, I will hold a hearing on the economic impacts of the District's lack of consolidation and coordination in the regulatory process. I will also introduce legislation to create an interagency task force to set forth recommendations to coordinate and consolidate the District's multi-agency licensing and permitting process. Based on the task force recommendations, I will introduce legislation, if necessary, to implement administrative and legislative changes to consolidate and coordinate the District's licensing and permitting process across agencies.

3. Introduce legislation to require an Economic Impact Statement to accompany any legislation that would impose new regulations or expand existing regulations.

When proposing and drafting regulations, agencies and the Council frequently are unaware of the size and scope of the regulations' impact. Regulations often impose significant burdens on business, some of which may not be obvious on the face of the regulations, and the negative impacts of establishing or increasing the regulatory burden are not adequately considered in the regulatory review and approval process. Moreover, agencies and the Council often do not consider less-restrictive alternatives.

Therefore, I will introduce legislation to require that an Economic Impact Statement accompany any proposed legislation or rulemaking that will impose new regulations or expand existing regulations on businesses. The purpose of requiring an Economic Impact Statement is to give the Council and agencies accurate information about the full impact of regulatory measures — both direct and indirect — on business attraction, growth and retention, job opportunities for District residents, and revenue for the District. It is my hope that this process will allow District regulations to be as efficient as possible — allowing the greatest amount of economic development, with jobs for District residents and revenues for District services, while still being adequate to protect the public health, safety, and welfare.

4. Establish “continuing education” seminars on economic development strategies and principles for senior staff of the Council and key executive branch agencies.

While the Council and executive branch offices dealing with economic development have talented staff members, few are experienced in every aspect of economic development. (This is particularly true in agencies with less focus on economic development, such as DCRA.) Moreover, many have spent most or all of their careers in public service, and lack the benefits of private-sector experience in banking, corporate law, construction finance and management, and related fields. A broad background in economic development theory and practice, and the private sector realities of investing and doing business, are vital if the District government is to make the best decisions regarding economic development and prosperity. Therefore, I will work with organizations such as the Greater Washington Board of Trade and area universities to establish a series of economic development seminars for senior staff of the Council and executive branch agencies.

Some seminars might include lectures from economists, financiers, and attorneys with expertise in development finance, and officials from jurisdictions with a track record of success in reducing barriers to economic development. Other seminars might include more academic discussions on the theories and principles of government regulation and economic development. The seminars will provide an opportunity for senior staff to draw upon the experience of recognized experts from the private sector, as well as academic authorities. With the comprehensive background senior staff will gain through these seminars, the District should make more informed decisions on issues that impact economic development.

Objective IV.

Increase economic opportunities for local businesses and job opportunities for District residents.

Strong local and small businesses and adequately employed residents create stable communities and stronger families, encourage neighborhood development, and increase the District's tax base. For these reasons alone, it is crucial that increasing economic opportunities for local business and job opportunities for District residents be part of a comprehensive economic development action agenda. More than that, however, we cannot declare success in our economic development efforts if we increase the District's wealth only by bringing in non-District based businesses or businesses that employ only Maryland and Virginia workers. Nor can we declare success if we increase average income solely by attracting the well-to-do to the District without increasing the income of current residents living on marginal incomes.

Currently, three agencies provide the foundation for the District Government's efforts to assure that District residents and District-based businesses share in jobs and economic opportunities.

The Office of Local Business Development (OLBD) is the key agency which assists local businesses. OLBD implements the District's Equal Opportunity for Local, Small, and Disadvantaged Business Enterprises program, which provides preference points in contract bidding for local, small, and disadvantaged business enterprises (LSDBEs) and provides contract set-asides for small businesses. The LSDBE program also requires District agencies and certain businesses with contracts with the District to meet LSDBE contracting and procurement goals. Another key agency for District businesses is the Office of Contracting and Procurement, which plays a large role in meeting the government's LSDBE goals. Even with these agencies efforts, however, LSDBEs have contended that the District fails to provide small businesses with sufficient resources to succeed. LSDBEs have also contended that OLBD's role is too narrowly limited to administering the LSDBE law, rather than with providing assistance and opportunities to local and small businesses.

The Department of Employment Services is the core agency charged with providing employment training and opportunities for District residents. A key component of the District's efforts to provide jobs for District residents is the First-Source Employment ("FSE") program. The FSE program requires that businesses engaged in certain types of government-assisted projects consider District residents their "first source" for hiring and that the businesses commit to a goal of hiring District residents for 51% of project jobs. This goal is not always met, and businesses often argue that the pool of qualified District workers is too small. Similarly, businesses and others have argued that the hiring of District residents is hampered by insufficient job training for the types of occupations in high demand today.

The action items below should improve the outcomes and operations of these key agencies and help achieve my goal of increasing economic opportunities for local businesses and job opportunities for District residents.

Action Items:

1. Establish public-private workforce training programs for specific, key industries.

To maximize the success of the District's job skills training efforts, the District must partner with private businesses and industry groups to establish training programs which prepare residents for occupations in specific, key industries. The industries the District works with should be those industries which provide the largest number of job opportunities for District residents and have the resources and commitment to partner with the District to provide a comprehensive training program.

By concentrating on skills training for key industries, the District will make the most effective use of its limited resources. It will not only be able to provide the greatest number of

job opportunities per trainee, but it will also be able to leverage the funds of private business organizations in its training efforts. Moreover, the selected industries will have a strong interest in the success of the training programs and their participation will ensure that District residents receive the training that is necessary for success in those industries.

There are a number of industries with which the District could partner. For example, DOES might work with the D.C. Bar and law firms to provide a training program to qualified participants for jobs as legal secretaries, law-office facilities management and support staff, and other opportunities in the legal sector. Another prime example is a partnership between DOES and the Hotel Association and major hotel chains, to provide skills training for hotel-related jobs, supplementing the work of the Hospitality Public Charter High School. These programs would build on the apprenticeship partnerships DOES has established with CVS and the Xerox Corporation, and provides stronger job opportunities for District residents. With these training programs, we will be able to increase the number of District residents who are able to benefit significantly from the District's economic development.

2. Create an office in the District government to coordinate and provide education and training programs for District LSDBEs.

If the District's local and small businesses are to grow and succeed — and if they are to be able to compete with larger or more experienced businesses — training and education are of central importance. Small businesses often need basic and intermediate-level instruction on accounting issues, contract procurement, and business administration. In addition, small businesses often need assistance to obtain the bonding needed to bid on government contracts. To date, the District has focused more on the administration of its LSDBE program, rather than on providing these needed services to a wide array of small businesses.

To provide these services, a small-business Education and Training Office (ETO) should be created in the District government. ETO would provide education and training courses for local, small, and disadvantaged business enterprises — and would serve as an information center and clearinghouse on other education and training courses throughout the city and the metropolitan area. ETO would be a key component in improving the success of our local and small business community, and this business community's success should also lead to a greater number of job opportunities for District residents. In order to ensure the establishment of this Office, I will introduce legislation to modify the LSDBE Act and establish a small-business Education and Training Office in the District government. This legislation will also provide for the additional funding necessary for the operation of ETO.

3. Create an office within the District government to serve as a public-private clearinghouse for contract and procurement opportunities for District businesses.

Another necessary component in the District's LSDBE efforts is the creation of an office to provide information and resources regarding contract and procurement opportunities for LSDBEs. The office would also work to match contract and procurement opportunities with

qualified businesses. To that end, the District should create a Contracting Opportunities Office that would serve as a clearinghouse to provide services such as the following:

1. Information on specific government and private sector contract and procurement opportunities (i.e., a continually updated list of open opportunities);
2. Information on access to capital resources for LSDBEs; and
3. A location where private corporations, public agencies, and capital providers can market and promote opportunities to LSDBEs.

With this office, the government and private sector can provide more complete resources to the LSDBE community and develop mutually beneficial business relationships.

Objective V.

Make strategic investments to enhance development downtown and in the central employment area.

Washington's downtown and central employment area ("Downtown") have traditionally served as the economic development engine for the District.²¹ This has certainly been the case since 1996. During the five years from 1996 through 2001, 90% of the job growth in the District came from the area between Georgetown and the Capitol, and from the Southwest Freeway to Florida Avenue.²²

In addition to being the source of employment for many District residents, Downtown also provides huge tax benefits to the District as a whole. A recent study estimated that Downtown produced in excess of \$450 million in tax benefits to the District while requiring only about \$10 million of services from the District. With over \$10 billion of new development either in construction or being planned in the Downtown, we can expect to see an increase in this transfer of funds to the District. In short, Downtown not only provides the economic driving force for the District's economy, it also provides hundreds of millions of dollars to serve the needs of the District's residents and neighborhoods.

It is critically important, in the current time of local fiscal constraints, and relatively weak local and national economies, to maintain Downtown's momentum. The following action items

²¹ The terms "downtown" and "central employment area" are used as defined in the Comprehensive Plan. "Downtown" refers to the "original commercial area between the Capital and the White House." The "Central Employment Area" refers to "the core area" of the city, including downtown.

²² The Downtown BID alone accounted for 50% of this job growth. Unless otherwise cited, the statistics in this section were provided by the Downtown BID.

will help continue this momentum without jeopardizing the District's ability to meet other important social and economic needs in other parts of the District.

Action Items:

1. Provide TIF incentives for the creation of retail outlets downtown.

The most notable lagging sector of the Downtown economy — behind the office, hotel, cultural, and now residential sectors — is the apparel and traditional retail sector. A recent market study conducted by the Downtown BID, though, indicates significant demand for this retail.²³ Inclusion of apparel and traditional retail in the Downtown core will help the District realize its long-held goal of creating a Living Downtown and will diversify and strengthen the Downtown economy. It will also help create an in-town shopping center for District residents, who will no longer need to travel outside of the District for their retail needs.

Presently, retailers and developers are wary of investing in Downtown apparel and traditional retail because there is not a critical mass of stores or shoppers that will support a strong and vibrant retail center. Therefore, in order to recruit additional retailers and create this critical mass (and meet the District's Living Downtown goal), the District will need to provide financial support. Supporting this increased retail activity will not only help reach the District's Living Downtown goal, but will also provide a significant public benefit estimated at over 1,000 jobs and approximately \$10 million in direct new sales taxes per year. Tax increment financing (TIF) incentives are proposed because the funding will come from future sales taxes and does not deflect any existing District funds.

I will work with developers, the Downtown BID, and the Mayor to bring forward a proposal to the Council in the near future to create a Downtown retail TIF district to create a vibrant retail community, and a Living Downtown, consistent with the District's long-held goals.

2. Increase funding for the Downtown housing tax abatement.

Through a sustained effort on the part of key Councilmembers, the Mayor, and developers, the Housing Act of 2002 includes a residential property tax abatement to stimulate the construction of Downtown housing. The Act provides \$2.5 million per year for ten years for projects south of Massachusetts Avenue and \$2.0 million per year for ten years for projects north of Massachusetts Avenue (primarily in the Mount Vernon Triangle area). This incentive to bring housing downtown was included not only to create the District's vision of a Living Downtown, but also because of the significant revenue benefits to the District of downtown residential over office.²⁴ The abatement has had a tremendous impact, with over 1,900 units

²³ The demand comes from the current office workers and tourists and from the anticipated increase in conventioners and the over 8,000 new residential units expected to be built over the next five to eight years within ten blocks of the MCI Center, as well as current residents in nearby neighborhoods such as Shaw, LeDroit Park, Eckington, H Street NE, and Capitol Hill.

²⁴ It is estimated that the District receives \$3.14 more in tax revenue per square foot of rentable space from a residential project than an office building. The tax break for south of Massachusetts Avenue is equal to \$0.81 per square foot.

starting construction south of Massachusetts Avenue and 246 units in the Mount Vernon Triangle since the introduction of the legislation. In addition, another 1,000 units are on the drawing board for south of Massachusetts Avenue.

However, it now appears that the Housing Act does not include enough funds for the tax abatement south of Massachusetts Avenue to support all the planned projects. The lack of sufficient funds for the abatement will limit the District's ability to realize the goals of a Living Downtown and increased tax revenue. Certain projects may be delayed for several years because they will suffer a risky cost disadvantage relative to projects that have received the tax abatement. Even worse, some projects may not go forward at all if developers change their projects to generally safer and more profitable office buildings.

Therefore, it is important — and fiscally prudent — for the District to allocate additional funds to the Downtown tax abatement. Given the District's currently tight fiscal situation, I feel it is important to highlight the economics of the current tax abatements: in return for a future tax abatement of taxes not yet collected by the District of approximately \$800 per resident unit, the District will receive approximately \$5,500 in a variety of taxes.²⁵

Given the District's planning goals and financial needs, it is important that we ensure that Downtown residential development stays on track. Without an increase in the dollar amount of the tax abatement south of Massachusetts Avenue, the District may lose this once in a generation opportunity.

I will therefore introduce legislation to increase the pool of tax abatements available for residential development south of Massachusetts Avenue so that the remaining projects may go forward successfully and in a timely manner.

3. Initiate the development of a plan to address parking for retail shoppers Downtown and parking for the new Convention Center.

As the Downtown economy continues to grow, many aspects of the transportation infrastructure will be stressed. Problems such as traffic congestion and subway under-capacity could have adverse impacts on various aspects of the Downtown economy. The scarcity of short-term parking is already widely acknowledged as a major impediment to attracting retail to Downtown. Moreover, the new convention center has no public parking. Parking scarcity there may limit the desirability of holding events at the convention center and may dissuade individuals and groups from attending restaurants, entertainment venues, and cultural institutions Downtown.

Because of the critical parking needs Downtown — and the vast impact a parking shortage could have on the District's revenue stream and economic growth — I will introduce legislation to establish a Downtown Parking Task Force. (The Downtown Circulator, which I fully support, is another key element in addressing the parking shortage and traffic congestion

²⁵ This figure is based on the following assumptions: 1.2 residents per unit; average income of \$62,500; and 60% of residents are new District taxpayers.

Downtown.)²⁶ The Task Force will advise the Council and the Mayor on the current state of parking downtown, future parking needs, methods to increase parking availability, and the impacts of limited parking on the Downtown economy. With the Task Force's recommendations, we should be able to move closer to maximizing Downtown's economic potential.

²⁶ Under the current plan for the Circulator, high-frequency buses would connect residents, workers, and tourists to destinations Downtown, connect Downtown to the Mall area, Capitol Hill and Foggy Bottom, and connect the Convention Center to key points throughout Downtown and the Mall. Despite much progress, including identifying potential capital funding for buses and some street-based capital expenditures and fare/corporate contributions to fund \$6 million of operating expenses, the Circulator remains about \$6 million short in operating funds. With \$6 million in federal transportation funds, the Circulator would be ready to begin operations. I fully support the Downtown Circulator, and will work with the Downtown business community to secure the needed funding.